

**WESTERN DUBUQUE COUNTY  
COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013**

**OFFICIAL ISSUING REPORT  
DAVID A. WEGMANN, BUSINESS MANAGER  
BUSINESS OFFICE**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**JUNE 30, 2013**

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**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**JUNE 30, 2013**

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## OFFICIALS

Name -----	Title -----	Term Expires -----
<b>Board of Education</b>		
Bob McCabe	President	2013
Jeanne Coppola	Vice President	2015
Mark Knuth	Board Member	2013
Gary McAndrew	Board Member	2015
Chad Vaske	Board Member	2015
<b>School Officials</b>		
Jeff Corkery	Superintendent	2013
David Wegmann	Board Secretary/Business Manager	2013
Mark Frasher	District Treasurer	2013

# **O'CONNOR, BROOKS & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

W.H. LEGLAR, CPA  
S.J. DOMEYER, CPA  
M.A. KUEPERS, CPA  
J.W. HANNAN, CPA  
M.P. RUGGEBERG, CPA  
P.C. McCARTHY, CPA  
E.A. SCHILLING, CPA  
S.H. ROBERTS, CPA  
J.L. WOOLF, CPA

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the  
Western Dubuque County Community School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Western Dubuque County Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Western Dubuque County Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Western Dubuque County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements with the exception of the eight years ended June 30, 2011. For the eight years ended June 30, 2011, we expressed an unqualified opinion on the financial statements of the various opinion units of the primary government and we expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the financial data for the District's legally separate component units. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks & Co., P.C.*

Dubuque, Iowa  
January 15, 2014

## **REQUIRED SUPPLEMENTARY INFORMATION**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Western Dubuque County Community School District provides this Management's Discussion and Analysis as a part of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

This Management Discussion and Analysis contains the following main areas beginning on the pages shown.

<u>Area</u>	<u>Page #</u>
Financial Notes	6
Overview of the Financial Statements	6
Financial Analysis of the District as a Whole	10
Changes in Net Position	12
Financial Analysis of the District's Funds	14
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## FINANCIAL NOTES

- The 2012-13 fiscal year was the 1st year of the District's renewed five-year Instructional Support Program (ISP). The existing five-year program commencing July 1, 2012 and ending on June 30, 2017 was authorized and approved by the School Board on October 10, 2011.

### Receipts:

Property Tax	\$ 451,239
Income Surtax	1,066,871
State Aid	---
	<u>\$ 1,518,110</u>

### Expenses:

Teacher Wages	\$ 1,106,514
Computer Software - Public	14,090
Computer Equipment – Public	174,781
Computer Technician – Public	31,116
Computer Applications	32,360
Instructional Materials – Private Schools	106,272
Computer Services – Private Schools	1,620
Computer Equipment – Private Schools	7,833
Athletic Trainer	43,524
	<u>\$ 1,518,110</u>

- The General Fund June 30, 2013 unreserved fund balance decreased slightly from \$3,314,810 to \$3,293,991 resulting in a Financial Solvency Ratio of 11.0%.

2006-2007	2.200 %
2007-2008	0.069 %
2008-2009	5.360 %
2009-2010	4.920 %
2010-2011	7.780 %
2011-2012	9.086 %
2012-2013	11.000 %

The primary reason for the increase in the fund balance was due to the District's on-going effort to increase the fund balance via an increased cash reserve levy.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Western Dubuque Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide information about activities for which the District acts solely as a custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<p align="center"><b>Figure A-1</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b></p>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

1. ***Governmental funds:*** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional schedules explain the relationship or differences between the two statements.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. ***Proprietary funds:*** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3. ***Fiduciary funds:*** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Position** - Figures A-2 and A-3 below provide a summary of the District's revenues, expenses, and net position for the year ended June 30, 2013 compared to 2012 for the governmental and business-type activities.

**Figure A-2**  
**Condensed Statement of Net Position**

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2012	2013	2012	2013	2012	2013	
Current and other assets	28,394,049	46,818,586	515,097	230,215	28,909,146	47,048,801	62.75%
Capital assets	44,978,438	45,017,534	188,106	187,540	45,166,544	45,205,074	0.09%
Total assets	73,372,487	91,836,120	703,203	417,755	74,075,690	92,253,875	24.54%
Long-term liabilities	24,279,034	39,862,080	204,000	232,000	24,483,034	40,094,080	63.76%
Other liabilities	17,209,195	18,130,275	94,506	9,043	17,303,701	18,139,318	4.83%
Total liabilities	41,488,229	57,992,355	298,506	241,043	41,786,735	58,233,398	39.36%
Net position:							
Net investment in							
capital assets	23,882,772	24,041,120	188,106	187,540	24,070,878	24,228,660	0.66%
Restricted	7,342,227	9,386,626	-	-	7,342,227	9,386,626	27.84%
Unrestricted (deficit)	659,259	416,019	216,591	(10,828)	875,850	405,191	53.74%
Total net position	31,884,258	33,843,765	404,697	176,712	32,288,955	34,020,477	5.36%

Net position either is restricted as to the purposes they can be used for or are invested in capital assets (buildings, parking lots and so on.)

**Figure A-3**  
**Changes in Net Position from Operating Results**

	Governmental Activities			Business Type Activities			Total School District		
	2011-12	2012-13	Change	2011-12	2012-13	Change	2011-12	2012-13	Change
<b>Revenues:</b>									
<b>Program Revenues:</b>									
Charges for service and sales	2,986,982	2,821,617	(165,365)	1,090,271	1,137,320	47,049	4,077,253	3,958,937	118,316
Operating grants and contributions	6,208,056	5,666,881	(541,175)	669,564	741,925	72,361	6,877,620	6,408,806	(468,814)
Capital grants and contributions	328,597	62,078	(266,519)	-	-	-	328,597	62,078	(266,519)
<b>General Revenues:</b>									
Property tax	12,972,385	13,477,654	505,269	-	-	-	12,972,385	13,477,654	505,269
Instructional support surtax	1,369,668	1,556,394	186,726	-	-	-	1,369,668	1,556,394	186,726
Statewide sales and services tax	3,044,022	3,333,739	289,717	-	-	-	3,044,022	3,333,739	289,717
Unrestricted state grants	10,864,135	11,473,475	609,340	-	-	-	10,864,135	11,473,475	609,340
Unrestricted investment earnings	47,377	73,844	26,467	1,352	425	(927)	48,729	74,269	25,540
Other	573,889	118,927	(454,962)	-	-	-	573,889	118,927	(454,962)
Transfers	-	-	-	-	-	-	-	-	-
Total Revenues	38,395,111	38,584,609	189,498	1,761,187	1,879,670	118,483	40,156,298	40,464,279	544,613
<b>Expenditures:</b>									
Instruction	21,852,650	23,217,231	1,364,581	-	-	-	21,852,650	23,217,231	1,364,581
Support services	10,078,666	10,102,083	23,417	-	-	-	10,078,666	10,102,083	23,417
Non-instructional programs	44,655	47,249	2,594	1,909,245	2,107,655	198,410	1,953,900	2,154,904	201,004
Other expenses	3,135,685	3,258,539	122,854	-	-	-	3,135,685	3,258,539	122,854
Total Expenditures	35,111,656	36,625,102	1,513,446	1,909,245	2,107,655	198,410	37,020,901	38,732,757	1,711,856
Change in Net Position	3,283,455	1,959,507	(1,323,948)	(148,058)	(227,985)	(79,927)	3,135,397	1,731,522	(1,167,243)

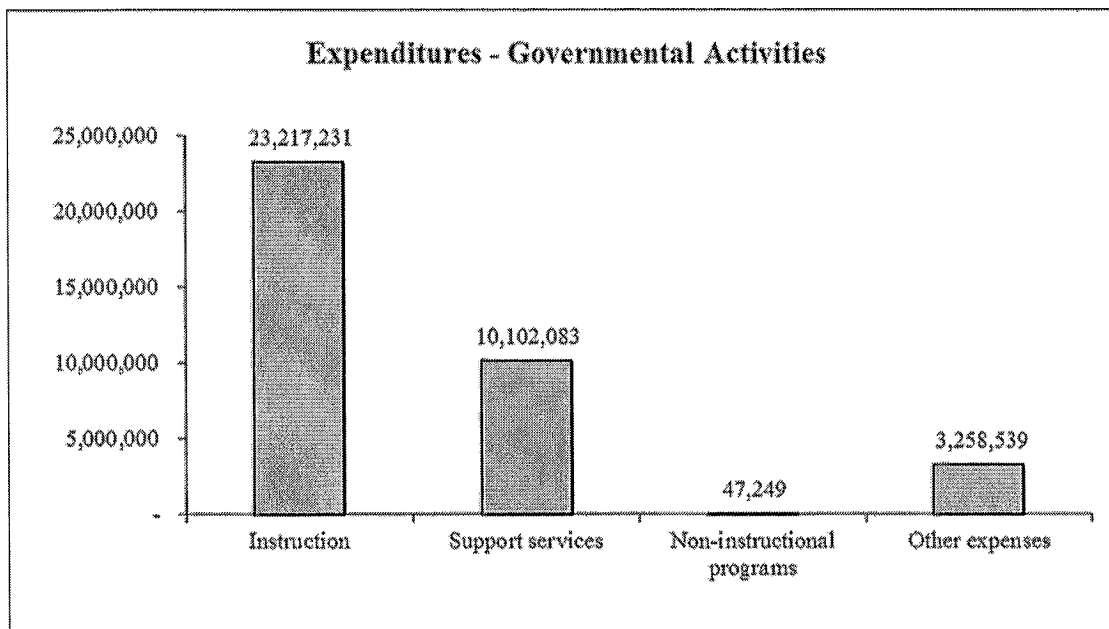
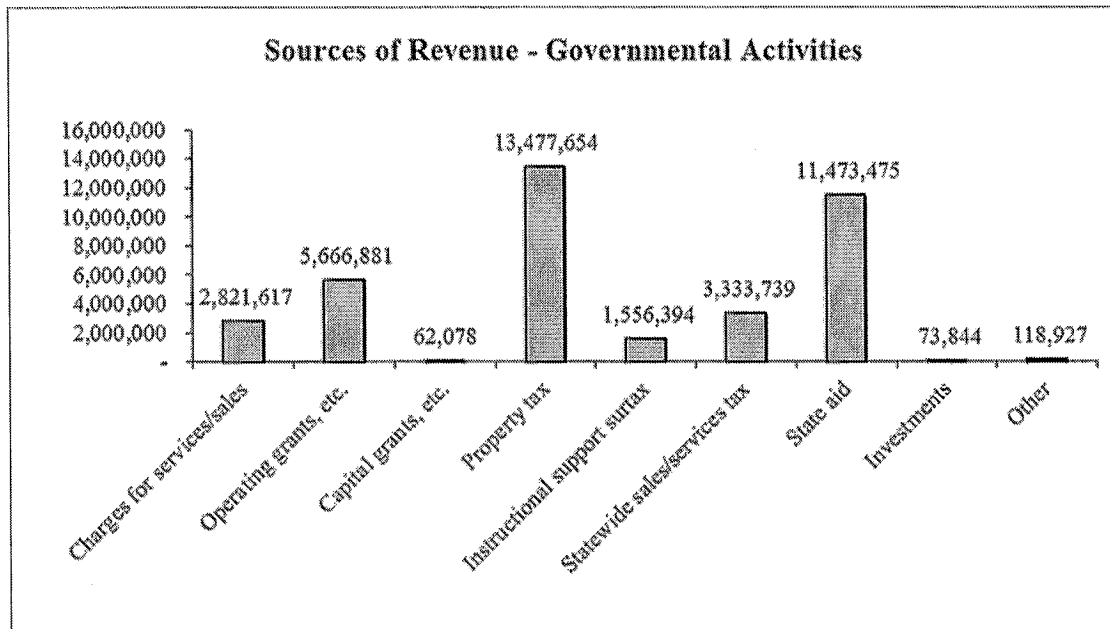
(COMMENTS ON NEXT PAGE)

## Governmental Activities

Revenues for governmental activities were \$38,584,609 while total expenses amounted to \$36,625,102.

The District collects revenues from a number of sources other than state aid and property tax to fund its operations. Other significant sources include local grants, student fees, tuition, Activity Fund receipts, State grants, and Federal grants.

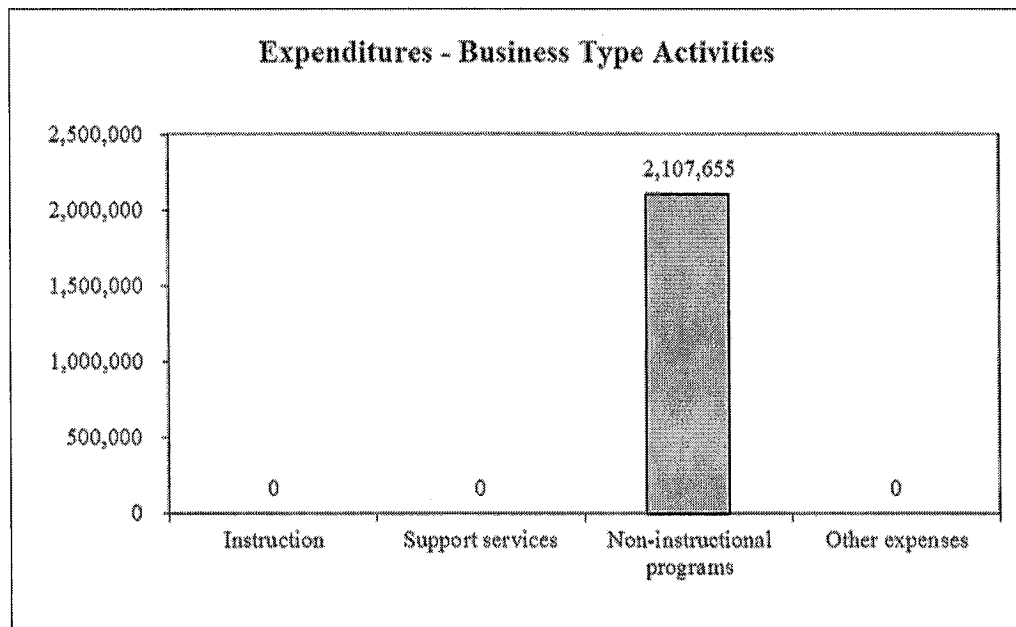
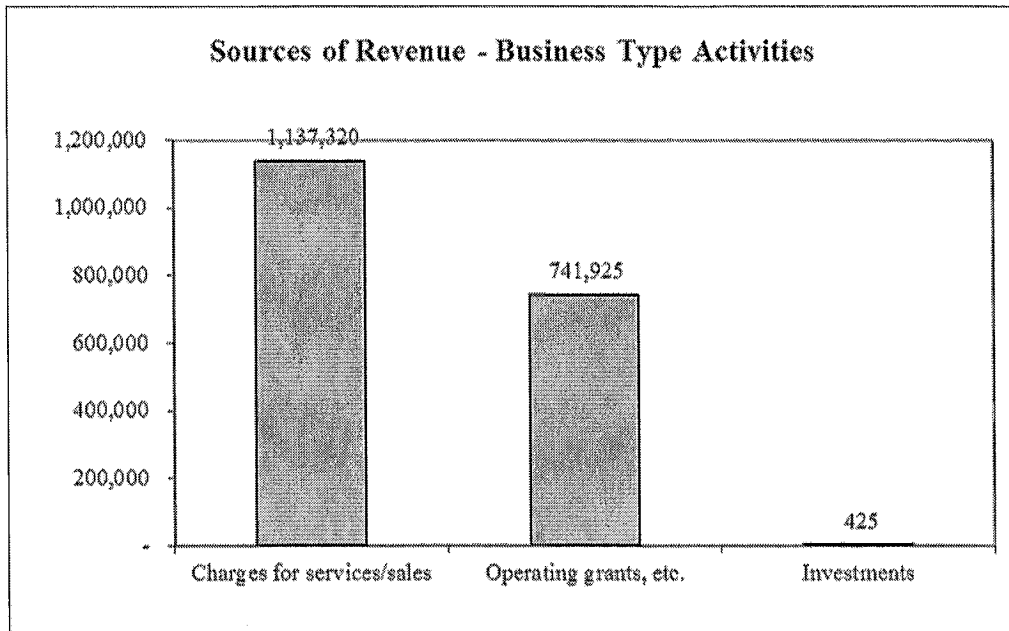
**Bar Graph for Figure A-3 – Changes in Net Position from Operating Results**





## Business-Type Activities

Revenues of the District's business-type activities (School Nutrition Fund) were \$1,879,670 and expenses were \$2,107,655. Revenues of these activities were comprised of a la carte sales, charges for meals, tuition, interest, and federal and state reimbursements.



## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Western Dubuque Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Fund Highlights

- Following are ending fund balances including restricted and unrestricted reserves of the various governmental funds and a discussion concerning the change in balances.

<u>Fund Name</u>	<u>2012 Balance</u>	<u>2013 Balance</u>	<u>Change</u>
General	\$ 3,652,301	\$ 3,582,042	\$ (70,259)
Activity	685,603	702,535	16,932
Management	1,741,338	1,742,075	737
Capital Projects	3,127,136	20,363,053	17,235,917
Debt Service	1,450,659	1,884,498	433,839
	<u>\$ 10,657,037</u>	<u>\$ 28,274,203</u>	<u>\$ 17,617,166</u>

- **General Fund:** The \$70,259 decrease marks the first time in the past several years that the balance has decreased. The FY2010 fund balance was \$1,438,744. The District has improved its fund balance by levying for cash reserves the past several years. The District, however, decreased its levy for cash reserve in FY2013 from \$1,979,237 to \$1,213,778 as part of its effort to pay for the \$16.5 million GO Bonds issued in 2012 without raising the overall tax rate.

The \$3,582,042 balance slightly exceeds the District's goal to have an undesignated fund balance equal to 10% of its annual General Fund Expenditures. To reach this goal in 2012-13, the fund balance would have to be greater than or equal to \$3,134,064. The District exceeded its goal by \$447,978.

The overall improvement in the General Fund's fund balance has resulted in Standard & Poor's rating service changing the District's rating from A to A+ while affirming a stable outlook for the District. That action indicates that the District has been successful in its goal to increase its cash balance and resulting fund balance on year-end financials.

- **Budget Authority:** Year-end financials reported to the Department of Education reflect revenues and expenses using U.S. generally accepted accounting principles (GAAP). They do not reflect on nor report on the District's Maximum Budget Authority and Unspent Budget Authority as defined by Iowa School Finance Law. Following are definitions of significant terms relating to budget authority.

Maximum Spending Authority – also known as Maximum Authorized Budget (MAB) – the maximum amount authorized under the school funding formula that a district has available for a given budget year. It is a calculation and is the sum of maximum district cost, preschool foundation aid, instructional support authority, education improvement authority, miscellaneous income and prior year unspent spending authority.

Maximum District Cost – also a calculation that is the sum of regular program cost (enrollment multiplied by legislatively authorized cost per student), special education

instructional costs, AEA costs and district supplementary weighting - all funded with a mix of state aid and property taxes. It does not include a district's cash reserve levy.

Miscellaneous Income – revenue which is not part of the combined district cost – for example, state grants, federal funds, student fees and tuition, and interest income. It does not include the cash reserve levy.

Unspent Spending Authority – also known as Unspent Authorized Budget (UAB) – the amount of the maximum spending authority left at the end of the year after deducting the general fund expenditures incurred during the year.

The following table shows the District's actual UAB for the past three years and a projection for 2013-14 based on budgeted revenues and expenses.

UNSPENT BUDGET AUTHORITY				
Year	2010-11	2011-12	2012-13	2013-14
Amount	\$5,761,282	\$5,869,509	\$4,980,559	\$4,468,533
Change		+\$108,227	-\$888,950	-\$512,026

The District's Unspent Authority/Budget Authority ratio for 2012-13 was 13.7%. The state average for schools is an estimated 18.2%

Unspent Balance	\$4,980,559
Divided by Budget Authority	<u>\$36,321,198</u>
Equals Balance/Authority Ratio	13.7%

The District will need to closely monitor and adjust future expenditures to ensure an acceptable use of Unspent Budget Authority.

- **Activity Fund:** Over 90 separate fund accounts for the various activity organizations are accounted for in the Activity Fund. Each account group has its own revenue and expense chart of accounts. The fund balance for this fund is adequate.
- **Management Fund:** This fund is used to pay for early retirement benefits and property/liability insurance. The fund balance is needed to pay insurance obligations coming due in early 2013-14 prior to taxes coming in. It is also needed to provide needed reserves to offset retirement plan liabilities that have been shown on District financials beginning in fiscal 2011-12 per Governmental Accounting Standards Board (GASB) rules. Over time the District will need to consider increasing the fund balance in this fund to reflect future costs of its early retirement plan for eligible employees. Bi-annual actuarial reporting data on the District's early retirement plan is required by the Governmental Accounting Standards Board and should be used as a guide to ensure future funding of the plan.
- **Capital Projects Fund:** The Capital Projects Fund consists of three accounts, The Construction account, the Statewide Sales, Services and Use Tax account and the Physical Plant and Equipment Levy (PPEL) account.

<u>Accounts</u>	<u>2011-12 Fund Balance</u>	<u>2012-13 Fund Balance</u>
Construction	\$0	\$15,284,478
Statewide Sales, Services and Use Tax	\$2,320,429	\$4,073,123
PPEL	\$554,357	\$1,005,452

1. Construction Account: The sale of \$16.5 million in general obligation bonds was approved by voters in April 2012. Funds from the sale of these bonds were deposited into the account in fiscal year 2012-13. Construction and engineering costs for the approved projects totaling \$1,242,281 were expended in fiscal year 2012-13. The \$15.2 million balance will be needed to finish approved projects at the two high schools. The District has budgeted \$8.056 million for the Gymnasium Project at Cascade HS and \$8.835 million for the WDHS Auditorium Project. Future projects will need to be funded from the District's Statewide Sales, Services and Use Tax and Physical Plant and Equipment Levy accounts.
2. Physical Plant and Equipment Levy Account - The large increase in the account balance reflects the 10-year voter approved (April 2012) authorization to increase the tax rate for the account from \$0.33 to \$1.00. The increase resulted in approximately \$765,000 in additional revenue for the account. The \$1,005,451 balance will be needed for large district-wide maintenance and construction projects.

Primary Uses for the account are as follows:

1. Instructional equipment.
2. School vehicles.
3. Buildings and Grounds projects.
4. Federal energy projects equal to awarded grants.

Passage of the \$1.00 levy has allowed the District to pay for the purchase of school buses from the fund versus using the General Fund Instructional Support Program. Bus purchases in 2012-13 totaled \$406,985. In both the short term and long term this increase results in a significant improvement to the District's General Fund year-end fund balance.

3. Statewide Sales, Services and Use Tax Account – The \$4,073,123 balance in this account is available to the District for construction projects and other uses allowed by Iowa Code.

Revenues in this account come from the one-cent sales tax for school infrastructure from the five counties in the District. Voters in each of the counties approved the tax for a period of 10 years. During that 10-year period the proceeds from the collections are distributed to the school districts in each of the counties based upon the ratio of their student resident count to the county total. When the 10-year period ends the proceeds of the tax are collected and placed in a statewide pool. The funds are then distributed to Districts on an equal per pupil basis.

County Sales Tax Authorizations		
County	Start Date	End Date
Clayton	2004, January	2013, December
Delaware	2004, January	2013, December
Dubuque	2003, July	2013, June
Jackson	2002, July	2012, June
Jones	2002, January	2011, December

2012-13 Sales Tax Distributions – Iowa Dept. of Revenue			
County	Amount Paid	2011 Enrollment	Payment Per Pupil
Clayton	\$4,206	5.0	\$841
Delaware	\$70,641	80.0	\$883
Dubuque	\$3,161,334	2,716.9	\$1,164
Jackson	\$31,613	37.1	\$852
Jones	\$65,945	80.0	\$824
TOTALS	\$3,333,739	2919.0	

Beginning in 2013-14 Dubuque County sales tax receipts will no longer go directly to the school districts located in the county. The receipts will be deposited into the state pool for distributions. This change will result in an estimated \$844,000 reduction in receipts for the District from Dubuque County. Overall sales tax receipts are estimated to be down by \$880,000.

The District will need to closely monitor annual sales tax receipts from all counties to ensure the availability of funds for debt repayment and construction projects paid for from residual sales tax receipts.

2013-14 Estimated Sales Tax Distributions – Iowa Dept. of Revenue			
County	Estimated Payment	2012 Enrollment	Payment Per Pupil
Clayton	3,160	4.00	\$790
Delaware	57,392	73.00	\$786
Dubuque	\$2,317,001	2,803.13	\$827
Jackson	\$28,493	36.10	\$789
Jones	\$48,141	61.00	\$789
TOTALS	\$2,454,187	2,977.23	

In June 2003 (fiscal year 2003) the District issued \$11,000,000 of revenue bonds for construction projects at Cascade High School, Dyersville Elementary, Peosta Elementary, Drexler Elementary and Western Dubuque High School.

In fiscal year 2010, the District refunded the unpaid balance of \$2,940,000 on the \$11 million, 2003 series to obtain a lower net interest rate of 2.0233297% versus the 3.746287% on the original issue. The refunded series was paid off on June 1, 2013.

The District also issued \$16.5 million in zero interest Qualified School Construction Bonds (Q-Bonds) in 2009 and 2010. Proceeds from these issuances were used for construction projects at Drexler Middle School (\$8.5 million) and Dyersville Elementary (\$8.0 million). The 17 year \$8.5 million series will be paid off on June 1, 2026. The 10 year \$8.0 million series will be paid off on June 1, 2020.

- **Debt Service Fund:** The \$1,884,498 fund balance is needed to meet the cash flow needs of this fund which is used to pay principal and interest on the District's outstanding debt. \$1.75 million of the balance is reserved for sinking fund obligations of issued debt.

### Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$404,697 on June 30, 2012 to \$176,712 on June 30, 2013. Expenditures in the fund exceeded revenues by \$227,985. New federal nutrition guidelines contributed to the revenue/expense disparity. In addition, the cost for food products in the district-wide program also showed a significant increase. The School Nutrition Fund continues to operate without any subsidies from the District's General Fund; but, the District will need to closely monitor menu pricing and the cost of food items to ensure that the program remains self-sufficient.

### BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and a hearing for all funds, except its private-purpose trust funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis. Over the course of the year, the District amended its annual operating budget to reflect additional revenue and expenditures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

The District amended the Instruction, Support Services, Non-Instructional, and Other Expenditures functional areas of the 2012-2013 budget to reflect expected increases in revenues and corresponding expenses.

Function	Original	Amended	Actual
Instruction	\$ 21,544,789	\$ 23,006,776	\$ 22,628,522
Support Services	10,152,626	10,414,643	10,074,920
Non-instructional	1,881,712	1,975,000	2,146,633
Other	3,866,142	5,440,092	4,682,145

The amendments and over expenditures were funded from existing cash balances and did not result in any use or additional levy of state or local taxes.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The following table shows the District's capital assets, net of accumulated depreciation.

	Governmental		Business Type		Total		
	Activities		Activities		School District		
	2012	2013	2012	2013	2012	2013	Total Change
Land	882,707	882,707	-	-	882,707	882,707	-
Construction in progress	-	1,094,675	-	-	-	1,094,675	1,094,675
Buildings	41,154,432	40,097,350	-	-	41,154,432	40,097,350	(1,057,082)
Improvements	499,133	462,970	-	-	499,133	462,970	(36,163)
Furnishings & Equipment	2,442,166	2,479,832	188,106	187,540	2,630,272	2,667,372	37,100
Total Capital Assets	44,978,438	45,017,534	188,106	187,540	45,166,544	45,205,074	38,530

Building and improvements values decreased primarily due to depreciation expense on the value of the buildings and improvements.

### Long-Term Debt

On June 30, 2013, the District had total long-term debt obligations of \$36,750,000. The following summary schedule shows totals in the different classes of the long-term debt obligations.

	6/30/2013	6/30/2012
General Obligation Bonds	20,070,000	3,975,000
Revenue Bonds	-	1,000,000
Qualified School Construction Bonds	16,500,000	16,500,000
	<u>36,570,000</u>	<u>21,475,000</u>

Name	Amount	Retirement Date
GO Bonds, Series 2012	\$ 16,500,000	6/1/2032
GO Bonds, Series 2010	3,570,000	6/1/2021
QSC Bonds, Series 2009	8,500,000	6/1/2026
QSC Bonds, Series 2010A	8,000,000	6/1/2020
	<u>\$ 36,570,000</u>	

## FACTORS BEARING ON THE DISTRICT'S FUTURE

Following are several factors that could have a significant effect on the District's General Fund financial condition.

- District Enrollment: The District's certified resident count increased in fiscal 2012-13 by 58.26 students.

September 2012	2,977.2
September 2011	2,919.0
September 2010	2,879.4
September 2009	2,799.4
September 2008	2,789.7
September 2007	2,775.8

The increase is significant in that it has a direct bearing on the District's general fund revenues. Continued economic growth in the District should result in steady or increased enrollment in future years. The District's enrollment multiplied by the state set cost-per-pupil is the primary revenue source for the District's General Fund.

The District had 166 open enrolled-in students and 56.2 open enrolled-out students in fiscal 2013. Each student generates \$6,056 in tuition revenue or expense. A significant change in the enrollment of these two groups would have a significant impact on revenues and expenses. Open enrolled-in has increased by 49 students over the last three years. Open enrolled-out has decreased by 12 students over the last three years.

- Unspent Budget Authority: The District used \$888,950 of its Unspent Budget Authority in 2012-13 leaving a balance of \$4,980,559. Maintaining a reasonable balance allows the District to incur unexpected budget issues (revenues and expenses) without making immediate changes in programming costs. A healthy balance is necessary to ensure continuation of existing programs and future planning.
- Instructional Support Program: On October 10, 2011 the Western Dubuque Schools Board of Education approved a new five-year Instructional Support Program. The program begins July 1, 2012 and ends June 30, 2017. \$1.518 million in property taxes and income surtax was received in FY2013 from the program. The program provides an ongoing revenue source to fund teacher wages, computer equipment, software expenses and textbook services to the private schools. Following are the actual expenses for FY2013. Of significant note is that school buses will no longer be expended from this program. In the previous fiscal year (2012) \$369,326 of expense for school bus purchases was charged to this program. School buses will now be paid for from the District's voter approved Physical Plant and Equipment Levy that was passed on April 13, 2012.

<u>Expenses:</u>	<u>2012-13</u>
Teacher Wages - Public	\$ 1,106,514
Computer Software – Public	14,090
Computer Equipment – Public	174,781
Computer Technician – Public	31,116
Computer Applications	32,360
Instructional Materials – Private Schools	106,272
Computer Service – Private Schools	1,620
Computer Equipment – Private Schools	7,833
Athletic Trainer	43,524
Total	<u>\$ 1,518,110</u>

The continuation of this program is vital if the District is to continue with expenses in the above areas.

- Transportation: Transportation expenses continue to be a significant cost of education. Western Dubuque Schools is the largest geographic school district in Iowa. The Iowa school funding formula does not provide for any additional funds for public school transportation costs. The District's reimbursement for transporting non-public students was \$176,174 less than expected due to the ongoing shortfall of state funding for the program.



Less than full funding for the cost of the non-public program does have a significant impact on the District's allocation of resources for its educational programs.

- Operation of two high schools: The costs of operating two high school programs in a District the size of Western Dubuque is significant. Approximately 34% of the District's enrollment is in grades 9-12. The state average for the same grade range is 30.7 %. The Iowa funding formula does not provide additional funding for high school students versus elementary students. As a result, the Western Dubuque District already incurs significant costs for operating two high schools. A significant change in its elementary to secondary school enrollment ratio would affect the ability to fund existing high school programs and activities.
- Wages and benefits are by far the most significant expenditure of the District's operation costs. Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact on the District's General Fund Budget.

Budgeting and monitoring the cost and number of staff will be critical to the District's ability to sustain an acceptable fund balance and unspent budget authority. Wages and benefits accounted for 79.7% of total general fund expenses in 2012-13, an increase of 3% over the previous year.

- Financial Solvency Ratio: A measure of a school district's financial health in its General Fund can be determined from its Financial Solvency Ratio. The ratio is used by lending institutions to determine a district's ability to repay borrowings. Currently the Iowa Schools Cash Anticipation Program sponsored by the Iowa Association of School Boards uses the ratio when evaluating credit ratings of school districts. The ratio is determined as follows:

$$\frac{\text{Unreserved Fund Balance}}{\div \text{Total Receipts} - \text{AEA Support}}$$

Following is the Financial Solvency Ratio for the Western Dubuque District for the past five years.

2008-2009	5.36%
2009-2010	4.92%
2010-2011	7.78%
2011-2012	9.09%
2012-2013	11.0%

Grading:

> 5%	Good
0% to 5%	Acceptable
-3% to 0%	Concern
< -3%	Serious Concern

The major reason for the increase in the ratio was due to the District's levy for cash reserves beginning with the 2010-11 fiscal year.

To maintain a targeted solvency ratio of 5%, the District needs to levy approximately \$1.1 million each year. Thereafter, the District needs to levy for on-time enrollment increases, special education deficits, and state aid cuts or reduce expenditures to compensate for the cash shortfalls related to the two factors. The Adopted Budget for the 2012-13 fiscal year included a cash reserve levy of \$1,213,778. The levy approved by the School Board has had a significant impact on improving the District's Financial Solvency Ratio and funding its authorized budget authority.

- State Aid: There were no state aid cuts in fiscal 2013. The District, however, incurred \$1,194,301 in state aid shortfalls in the 2010-11 fiscal year due to across-the-board cuts in state aid funding and over \$1.3 million in 2009-10. The District's budget authority was not affected by the cut; but, the funding shortfall did have an impact on year-end cash and fund balances in the General Fund in those fiscal years.

State aid cuts need to be funded via a cash reserve levy if the District wants to maintain a reasonable fund balance. If the District chooses not to fund state aid cuts, then appropriate reductions in expenses need to be made to maintain adequate cash and fund balances in the General Fund.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact David Wegmann, District Secretary and Business Manager, Western Dubuque County Community School District, 310 4<sup>th</sup> Street SW, Farley, Iowa 52046.

## **BASIC FINANCIAL STATEMENTS**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>	-----	-----	-----
Cash, cash equivalents and pooled investments	\$ 27,204,332	\$ 257,164	\$ 27,461,496
Receivables:			
Property tax:			
Delinquent	118,564	---	118,564
Succeeding year	14,730,774	---	14,730,774
Income surtax	967,024	---	967,024
Accounts	12,744	---	12,744
Due from other governments	1,591,175	---	1,591,175
Due from other funds	75,066	(75,066)	---
Prepaid expenses	106,880	17	106,897
Deferred debt expense	258,104	---	258,104
Inventories	---	48,100	48,100
Capital assets, net of accumulated depreciation	45,017,534	187,540	45,205,074
Restricted assets:			
Cash held in escrow	1,753,923	---	1,753,923
<b>Total Assets</b>	----- \$ 91,836,120	----- \$ 417,755	----- \$ 92,253,875
<b>Liabilities</b>			
Accounts payable	\$ 1,011,072	\$ 187	\$ 1,011,259
Salaries and benefits payable	2,341,474	8,856	2,350,330
Accrued interest payable	46,955	---	46,955
Deferred revenue:			
Succeeding year property tax	14,730,774	---	14,730,774
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	740,000	---	740,000
Deferred amount on refunding	(13,374)	---	(13,374)
Portion due after one year:			
General obligation bonds	19,330,000	---	19,330,000
Deferred amount on refunding	(135,233)	---	(135,233)
Qualified School Construction Bonds	14,746,077	---	14,746,077
Payable from restricted assets:			
Qualified School Construction Bonds	1,753,923	---	1,753,923
Other post employment benefits	3,542,000	232,000	3,774,000
Unamortized bond discount	(101,313)	---	(101,313)
<b>Total Liabilities</b>	----- \$ 57,992,355	----- \$ 241,043	----- \$ 58,233,398

See notes to financial statements.

**EXHIBIT "A" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

	Governmental Activities	Business Type Activities	Total
	-----	-----	-----
<b>Net Position</b>			
Net investment in capital assets	\$ 24,041,120	\$ 187,540	\$ 24,228,660
Restricted for:			
Categorical funding	288,051	---	288,051
Management levy purposes	1,742,075	---	1,742,075
Physical plant and equipment	1,005,451	---	1,005,451
Student activities	702,535	---	702,535
School infrastructure	3,764,016	---	3,764,016
Debt service	1,884,498	---	1,884,498
Unrestricted (deficit)	416,019	(10,828)	405,191
	-----	-----	-----
Total Net Position	\$ 33,843,765	\$ 176,712	\$ 34,020,477
	=====	=====	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities: Instruction:							
Regular	\$ 12,831,749	\$ 1,173,549	\$ 2,912,437	\$ ---	\$ (8,745,763)	\$ ---	\$ (8,745,763)
Special	4,759,096	308,972	964,594	---	(3,485,530)	---	(3,485,530)
Other	5,626,386	1,151,108	25,550	---	(4,449,728)	---	(4,449,728)
Total Instruction	\$ 23,217,231	\$ 2,633,629	\$ 3,902,581	\$ ---	\$ (16,681,021)	\$ ---	\$ (16,681,021)
Support Services:							
Student	\$ 791,826	\$ ---	\$ 19,461	\$ ---	\$ (772,365)	\$ ---	\$ (772,365)
Instructional staff	1,074,819	---	---	---	(1,074,819)	---	(1,074,819)
Administration	3,409,379	---	---	---	(3,409,379)	---	(3,409,379)
Operation and maintenance of plant	2,324,196	49,915	2,277	38,230	(2,233,774)	---	(2,233,774)
Transportation	2,501,863	138,073	424,233	---	(1,939,557)	---	(1,939,557)
Total Support Services	\$ 10,102,083	\$ 187,988	\$ 445,971	\$ 38,230	\$ (9,429,894)	\$ ---	\$ (9,429,894)
Non-instructional Programs	\$ 47,249	\$ ---	\$ ---	\$ ---	\$ (47,249)	\$ ---	\$ (47,249)

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs (Continued)</b>							
Governmental Activities: (Continued)							
Other Expenditures:							
Facilities acquisition	\$ 311,866	\$ ---	\$ ---	\$ 23,848	\$ (288,018)	\$ ---	\$ (288,018)
Long-term debt interest	492,251	---	---	---	(492,251)	---	(492,251)
AEA flowthrough	1,318,329	---	1,318,329	---	---	---	---
Depreciation (unallocated)*	1,136,093	---	---	---	(1,136,093)	---	(1,136,093)
Total Other Expenditures	\$ 3,258,539	\$ ---	\$ 1,318,329	\$ 23,848	\$ (1,916,362)	\$ ---	\$ (1,916,362)
Total Governmental Activities	\$ 36,625,102	\$ 2,821,617	\$ 5,666,881	\$ 62,078	\$ (28,074,526)	\$ ---	\$ (28,074,526)
Business Type Activities:							
Non-instructional programs:							
Food service operations	\$ 2,107,655	\$ 1,137,320	\$ 741,925	\$ ---	\$ ---	\$ (228,410)	\$ (228,410)
Total	\$ 38,732,757	\$ 3,958,937	\$ 6,408,806	\$ 62,078	\$ (28,074,526)	\$ (228,410)	\$ (28,302,936)

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities
Expenses					Total
<b>General Revenues:</b>					
Property tax levied for:				\$ 11,828,669	\$ 11,828,669
General purposes				506,681	506,681
Debt service				1,142,304	1,142,304
Capital outlay				1,556,394	1,556,394
Instructional support surtax				3,333,739	3,333,739
Statewide sales, services, and use tax				11,473,475	11,473,475
Unrestricted state grants				73,844	74,269
Unrestricted investment earnings				118,927	118,927
Other					
Total General Revenues				\$ 30,034,033	\$ 30,034,458
Change in Net Position				\$ 1,959,507	\$ (227,985)
Net Position Beginning of Year				31,884,258	404,697
Net Position End of Year				\$ 33,843,765	\$ 176,712
					\$ 34,020,477

See notes to financial statements.



**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>	-----	-----	-----	-----
Cash, cash equivalents and pooled investments	\$ 5,086,281	\$20,201,961	\$ 1,916,090	\$27,204,332
Receivables:				
Property tax:				
Delinquent	92,011	12,928	13,625	118,564
Succeeding year	11,835,405	1,192,752	1,702,617	14,730,774
Income surtax	967,024	---	---	967,024
Accounts	12,607	---	137	12,744
Due from other funds	82,619	---	---	82,619
Due from other governments	1,060,956	530,219	---	1,591,175
Prepaid expenses	193,441	---	677,504	870,945
Restricted assets:				
Cash held in escrow	---	---	1,753,923	1,753,923
Total Assets	\$19,330,344	\$21,937,860	\$ 6,063,896	\$ 47,332,100
	=====	=====	=====	=====
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 601,815	\$ 378,755	\$ 30,502	\$ 1,011,072
Salaries and benefits payable	2,341,474	---	---	2,341,474
Due to other funds	2,584	3,300	1,669	7,553
Deferred revenue:				
Succeeding year property tax	11,835,405	1,192,752	1,702,617	14,730,774
Income surtax	967,024	---	---	967,024
Total Liabilities	\$15,748,302	\$ 1,574,807	\$ 1,734,788	\$ 19,057,897
	-----	-----	-----	-----
Fund Balances:				
Nonspendable:				
Prepaid expenditures	\$ 193,441	\$ ---	\$ 677,504	\$ 870,945
Restricted for:				
Categorical funding	288,051	---	---	288,051
Debt service	---	---	1,884,498	1,884,498
Management levy purposes	---	---	1,064,571	1,064,571
Student activities	---	---	702,535	702,535
School infrastructure	---	19,357,602	---	19,357,602
Physical plant and equipment	---	1,005,451	---	1,005,451
Unassigned	3,100,550	---	---	3,100,550
Total Fund Balances	\$ 3,582,042	\$20,363,053	\$ 4,329,108	\$ 28,274,203
Total Liabilities and Fund Balances	\$19,330,344	\$21,937,860	\$ 6,063,896	\$ 47,332,100
	=====	=====	=====	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

**Total Fund Balances of Governmental Funds** \$ 28,274,203

*Amounts reported for governmental activities in the Statement of Net Position  
are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 45,017,534

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 967,024

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (46,955)

Long-term liabilities, including bonds and note payable and other post-employment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. Other related amounts include deferred debt expense and unamortized bond discount. (40,368,041)

**Net Position of Governmental Activities** \$ 33,843,765

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013**

	General	Capital Projects	Nonmajor	Total
	-----	-----	-----	-----
<b>Revenues</b>				
Local sources:				
Local tax	\$ 12,376,860	\$ 4,476,043	\$ 1,476,600	\$ 18,329,503
Tuition	1,217,123	---	---	1,217,123
Other	604,090	36,397	1,216,745	1,857,232
Intermediate sources	3,228	---	---	3,228
State sources	16,012,156	2,791	697	16,015,644
Federal sources	1,056,495	62,078	---	1,118,573
	-----	-----	-----	-----
Total Revenues	\$ 31,269,952	\$ 4,577,309	\$ 2,694,042	\$ 38,541,303
	-----	-----	-----	-----
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	\$ 12,131,633	\$ 4,729	\$ 393,181	\$ 12,529,543
Special	4,394,901	---	102,278	4,497,179
Other	4,434,785	---	1,167,015	5,601,800
	-----	-----	-----	-----
Total Instruction	\$ 20,961,319	\$ 4,729	\$ 1,662,474	\$ 22,628,522
	-----	-----	-----	-----
Support Services:				
Student	\$ 781,219	\$ ---	\$ 3,955	\$ 785,174
Instructional staff	1,040,091	---	1,499	1,041,590
Administration	3,304,301	23,449	44,420	3,372,170
Operation and maintenance of plant	2,053,441	62,000	222,288	2,337,729
Transportation	1,881,939	487,883	168,435	2,538,257
	-----	-----	-----	-----
Total Support Services	\$ 9,060,991	\$ 573,332	\$ 440,597	\$ 10,074,920
	-----	-----	-----	-----
Non-instructional Programs	\$ ---	\$ ---	\$ 38,978	\$ 38,978
	-----	-----	-----	-----

See notes to financial statements.

**EXHIBIT "E" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013**

	General	Capital Projects	Nonmajor	Total
	-----	-----	-----	-----
<b>Expenditures (Continued)</b>				
Other Expenditures:				
Facilities acquisition	\$ ---	\$ 1,382,275	\$ ---	\$ 1,382,275
Long-term debt:				
Principal	---	---	1,405,000	1,405,000
Interest and fiscal charges	---	145,059	431,482	576,541
AEA flowthrough	1,318,329	---	---	1,318,329
	-----	-----	-----	-----
Total Other Expenditures	\$ 1,318,329	\$ 1,527,334	\$ 1,836,482	\$ 4,682,145
	-----	-----	-----	-----
Total Expenditures	\$ 31,340,639	\$ 2,105,395	\$ 3,978,531	\$ 37,424,565
	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (70,687)	\$ 2,471,914	\$ (1,284,489)	\$ 1,116,738
	-----	-----	-----	-----
<b>Other Financing Sources (Uses)</b>				
Compensation for loss of fixed assets	\$ 428	\$ ---	\$ ---	\$ 428
General obligation bonds issued	---	16,500,000	---	16,500,000
Operating transfers in	---	---	1,735,997	1,735,997
Operating transfers out	---	(1,735,997)	---	(1,735,997)
	-----	-----	-----	-----
Total Other Financing Sources (Uses)	\$ 428	\$ 14,764,003	\$ 1,735,997	\$ 16,500,428
	-----	-----	-----	-----
Change in Fund Balances	\$ (70,259)	\$ 17,235,917	\$ 451,508	\$ 17,617,166
	-----	-----	-----	-----
Fund Balances Beginning of Year	3,652,301	3,127,136	3,877,600	10,657,037
	-----	-----	-----	-----
Fund Balances End of Year	\$ 3,582,042	\$ 20,363,053	\$ 4,329,108	\$ 28,274,203
	=====	=====	=====	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

**Change in Fund Balances - Total Governmental Funds** **\$ 17,617,166**

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,692,292 exceeded depreciation of \$1,642,290 in the current period. 50,002

In the statement of activities, the loss on the sale or disposition of assets is reported, whereas in the governmental funds, the proceeds from the sale or disposition increase financial resources. The change in net position differs from the change in fund balance by the cost of the assets sold or disposed of (\$197,837), net of related accumulated depreciation of \$186,931. (10,906)

Because income surtaxes and other deferred revenues will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. 38,284

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 1,405,000

Proceeds of debt issuances provide current financial resources to governmental funds, but increases noncurrent liabilities in the Statement of Net Position. (16,500,000)

Governmental funds report the effect of issuance costs, premiums, discount and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. 97,331

Interest on long term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (37,307)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This includes the net increase in other postemployment benefits. (700,063)

**Change in Net Position of Governmental Activities** **\$ 1,959,507**

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013**

	School Nutrition
	-----
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 257,164
Prepaid expenses	17
Inventories	48,100
Capital assets, net of accumulated depreciation	187,540
	-----
Total Assets	\$ 492,821
	-----
<b>Liabilities</b>	
Accounts payable	\$ 187
Salaries and benefits payable	8,856
Due to other funds	75,066
Other postemployment benefits	232,000
	-----
Total Liabilities	\$ 316,109
	-----
<b>Net Position</b>	
Investment in capital assets	\$ 187,540
Unrestricted (deficit)	(10,828)
	-----
Total Net Position	\$ 176,712
	=====

See notes to financial statements.

**EXHIBIT "H"****WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013**

	School Nutrition
	-----
<b>Operating Revenues</b>	
Local sources:	
Charges for services	\$ 1,137,320
	-----
<b>Operating Expenses</b>	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 724,986
Benefits	221,670
Purchased services	61,342
Supplies	1,069,372
Depreciation	30,285
	-----
Total Noninstructional Programs	\$ 2,107,655
	-----
Operating Loss	\$ (970,335)
	-----
<b>Non-Operating Revenues</b>	
State sources	\$ 14,898
Federal sources	727,027
Interest income	425
	-----
Total Non-Operating Revenues	\$ 742,350
	-----
Change in Net Position	\$ (227,985)
	-----
Net Position Beginning of Year	404,697
	-----
Net Position End of Year	\$ 176,712
	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013**

	School Nutrition
	-----
<b>Cash Flows From Operating Activities</b>	
Cash received from sale of lunches and breakfasts	\$ 1,137,320
Cash paid to employees for services	(1,020,706)
Cash paid to suppliers for goods or services	(995,172)
	-----
Net Cash Used by Operating Activities	\$ (878,558)
	-----
<b>Cash Flows From Non-Capital Financing Activities</b>	
State grants received	\$ 14,898
Federal grants received	597,287
	-----
Net Cash Provided by Non-Capital Financing Activities	\$ 612,185
	-----
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition of capital assets	\$ (29,719)
	-----
<b>Cash Flows From Investing Activities</b>	
Interest on investments	\$ 425
	-----
Net Decrease in Cash and Cash Equivalents	\$ (295,667)
	-----
Cash and Cash Equivalents at Beginning of Year	552,831
	-----
Cash and Cash Equivalents at End of Year	\$ 257,164
	=====
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>	
Operating loss	\$ (970,335)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	129,740
Depreciation	30,285
Decrease in inventories	6,665
(Increase) in prepaid expenses	(17)
(Decrease) in accounts payable	(846)
(Decrease) in salaries and benefits payable	(84,617)
(Decrease) in due to other funds	(17,433)
Increase in other postemployment benefits	28,000
	-----
Net Cash Used by Operating Activities	\$ (878,558)
	=====

**Non-Cash Investing, Capital and Related Financing Activities**

During the year ended June 30, 2013, the District received \$129,740 of federal commodities.

See notes to financial statements.



**EXHIBIT "J"**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	Private Purpose Trust
	-----
	Scholarship
	-----
<b>Assets</b>	
Cash and pooled investments	\$ 20,743
	-----
<b>Liabilities</b>	
None	\$ ---
	-----
<b>Net Position</b>	
Reserved for scholarships	\$ 20,743
	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2013**

	Private Purpose Trust
	-----
	Scholarship
	-----
<b>Additions</b>	
Local Sources:	
Gifts and contributions	\$      3,200
Interest	9
	-----
Total Additions	\$      3,209
<b>Deductions</b>	
Instruction:	
Regular:	
Scholarships awarded	1,200
	-----
Change in Net Position	\$      2,009
Net Position Beginning of Year	18,734
	-----
Net Position End of Year	\$      20,743
	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 - Summary of Significant Accounting Policies:**

The Western Dubuque County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territory in Northeast Iowa including portions of the following counties; Dubuque, Delaware, Jackson, Clayton and Jones. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Western Dubuque County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of Dubuque County Assessor's Conference Board, the Jones County Assessor's Conference Board, and the Dubuque County Empowerment Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Presentation (Continued)**

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Presentation (Continued)**

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

**C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

**Cash, Cash Equivalents and Pooled Investments** - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statements of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**D. Assets, Liabilities and Fund Equity (Continued)**

**Property Tax Receivable** - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

**Due From Other Governments** - Due from other governments represents amounts due from the State of Iowa, various shared revenues, and grants and reimbursements from other governments.

**Inventories** - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Capital Assets** - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**D. Assets, Liabilities and Fund Equity (Continued)**

Asset Class	Amount
-----	-----
Land	All
Buildings	\$ 5,000
Improvements other than buildings	5,000
Intangibles	100,000
Furniture and Equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
-----	-----
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-20 years

**Salaries and Benefits Payable** - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**Deferred Revenue** - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.



**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**D. Assets, Liabilities and Fund Equity (Continued)**

**Compensated Absences** - District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently no liability at June 30, 2013 has been accrued.

**Long-Term Liabilities, Deferred Debt Expense, Bond Discounts/Premiums, and Deferred Amount on Refunding** - In the government-wide and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. The deferred amount on refunding represents the difference between the reacquisition price and the net carrying amount of the old debt and is amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**Fund Equity** - In the governmental fund financial statements, fund balances are classified as follows:

**Nonspendable** - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

**Committed** - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

**Unassigned** - All amounts not included in preceding classifications.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the non-instructional programs functional area exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

**F. Estimates**

The preparation of financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 - Cash, Cash Equivalents and Pooled Investments:**

The District's deposits in banks at June 30, 2013, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$10,916 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 3 - Due From and Due To Other Funds:**

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue - Student Activity	\$ 1,669
	Enterprise - Nutrition	78,366
		-----
		\$ 80,035
		=====
Nutrition	Physical, Plant and Equipment Levy	\$ 3,300
		=====

The Student Activity Fund is repaying the General Fund for transportation costs. The Nutrition Fund is repaying the General Fund for nutrition program wages paid from the General Fund. The Physical, Plant and Equipment Levy Fund is repaying the Nutrition Fund for equipment purchased. These balances will be repaid within fiscal year 2014.

**Note 4 - Interfund Transfers:**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 1,735,997
		=====

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**Note 5 - Categorical Funding:**

The District's reserved fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
-----	-----
Home school assistance program	\$ 31,718
Gifted and talented program	32,493
Educator quality professional development	90,956
Teacher salary supplement	44,170
Professional development for model core curriculum	76,314
Other	12,400
	-----
	\$ 288,051
	=====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 6 - Capital Assets:**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 882,707	\$ ---	\$ ---	\$ 882,707
Construction in progress	---	1,094,675	---	1,094,675
	-----	-----	-----	-----
Total capital assets, not being depreciated	\$ 882,707	\$ 1,094,675	\$ ---	\$ 1,977,382
	-----	-----	-----	-----
Capital assets, being depreciated:				
Buildings	\$ 52,863,291	\$ ---	\$ ---	\$ 52,863,291
Improvements other than buildings	1,603,152	21,631	---	1,624,783
Furniture and equipment	7,617,932	575,986	197,837	7,996,081
	-----	-----	-----	-----
Total capital assets, being depreciated	\$ 62,084,375	\$ 597,617	\$ 197,837	\$ 62,484,155
	-----	-----	-----	-----
Less accumulated depreciation for:				
Buildings	\$ 11,708,859	\$ 1,057,082	\$ ---	\$ 12,765,941
Improvements other than buildings	1,104,019	57,794	---	1,161,813
Furniture and equipment	5,175,766	527,414	186,931	5,516,249
	-----	-----	-----	-----
Total accumulated depreciation	\$ 17,988,644	\$ 1,642,290	\$ 186,931	\$ 19,444,003
	-----	-----	-----	-----
Total capital assets, being depreciated, net	\$ 44,095,731	\$ (1,044,673)	\$ 10,906	\$ 43,040,152
	-----	-----	-----	-----
Total governmental activities capital assets, net	\$ 44,978,438	\$ 50,002	\$ 10,906	\$ 45,017,534
	=====	=====	=====	=====
<b>Business type activities:</b>				
Furniture and equipment	\$ 426,989	\$ 29,719	\$ ---	\$ 456,708
Less accumulated depreciation	238,883	30,285	---	269,168
	-----	-----	-----	-----
Business type activities capital assets, net	\$ 188,106	\$ (566)	\$ ---	\$ 187,540
	=====	=====	=====	=====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 6 - Capital Assets: (Continued)**

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 31,061
Other	22,588

Support Services:

Administration	7,862
Operation and maintenance of plant	8,253
Transportation	428,162
Non-instructional	8,271
Unallocated	1,136,093

Total governmental activities depreciation expense	\$ 1,642,290
--	--------------

Business type activities:

Food service operations	\$ 30,285
-------------------------	-----------

**Note 7 - Long-Term Liabilities:**

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	-----	-----	-----	-----	-----
Governmental Activities:					
General obligation bonds	\$ 3,975,000	\$ 16,500,000	\$ 405,000	\$ 20,070,000	\$ 410,000
Qualified school construction bond	16,500,000	---	---	16,500,000	---
Revenue bonds	1,000,000	---	1,000,000	---	---
Other postemployment benefits	3,014,000	1,302,000	774,000	3,542,000	---
	-----	-----	-----	-----	-----
Total	\$ 24,489,000	\$ 17,802,000	\$ 2,179,000	\$ 40,112,000	\$ 410,000
	=====	=====	=====	=====	=====
Business Type Activities:					
Other postemployment benefits	\$ 204,000	\$ 28,000	\$ ---	\$ 232,000	\$ ---
	=====	=====	=====	=====	=====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 7 - Long-Term Liabilities: (Continued)**

**General Obligation Bonds**

Details of the District's June 30, 2013, general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue March 23, 2010			Bond Issue October 30, 2012			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2014	1.75	410,000	95,683	3.000	330,000	496,925	740,000	592,608
2015	2.10	415,000	88,508	3.000	335,000	487,025	750,000	575,533
2016	2.40	430,000	79,793	3.000	340,000	476,975	770,000	556,768
2017	2.65	435,000	69,473	3.000	350,000	466,775	785,000	536,248
2018	2.80	445,000	57,945	3.000	370,000	456,275	815,000	514,220
2019-2023	3.00-3.30	1,435,000	93,355	3.000	3,285,000	2,083,975	4,720,000	2,177,330
2024-2028	---	---	---	3.000	5,735,000	1,401,325	5,735,000	1,401,325
2029-2032	---	---	---	3.00-3.125	5,755,000	451,250	5,755,000	451,250
		<u>3,570,000</u>	<u>484,757</u>		<u>16,500,000</u>	<u>6,320,525</u>	<u>20,070,000</u>	<u>6,805,282</u>

Series 2012 bonds due June 1, 2021 – 2032, inclusive, are callable in whole or in part on any date after June 1, 2021 at a price of par and accrued interest. If less than all the bonds are called, they shall be redeemed in any order of maturity as determined by the District within any maturity by lot.

On March 23, 2010, the District issued \$4,250,000 in general obligation bonds with an average interest rate of 2.70% to advance refund \$4,000,000 of outstanding 2001 Series bonds with an average interest rate of 4.60%. The bonds due June 1, 2019 - 2021, inclusive, are callable in whole or in part on any date after June 1, 2018 at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any order of maturity as determined by the District within any maturity by lot.

**Qualified School Construction Bonds**

On December 15, 2009, the District issued \$8,500,000 of qualified school construction bonds for the purpose of building and equipping an addition to the Drexler Middle School. The bonds are interest free and the entire balance is due on June 1, 2026. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are not a general obligation of the District. The bonds may be called for redemption on any date, in whole or from time to time in part at a price of par. Beginning June 1, 2010, the District is required to place seventeen annual payments into an escrow account, which has a 2.00% interest rate. The balance accumulated in the escrow account will be used to repay the bonds when they mature.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 7 - Long-Term Liabilities: (Continued)**

**Qualified School Construction Bonds (Continued)**

On April 28, 2010, the District issued \$8,000,000 of qualified school construction bonds for the purpose of constructing, furnishing, and equipping a new elementary school in Dyersville, Iowa. The bonds are interest free and the entire balance is due on June 1, 2020.

The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are not a general obligation of the District. The bonds may be called for redemption on any date, in whole or from time to time in part at a price of par. Beginning June 1, 2014, the District is required to place seven annual payments into an escrow account, which has a 1.85% interest rate. The balance accumulated in the escrow account will be used to repay the bonds when they mature.

The District did comply with all of the provisions during the year ended June 30, 2013. The Sinking Fund and Reserve Fund requirements are accounted for in the Debt Service Fund.

**Note 8 - Lease Agreement:**

On October 20, 2001, the District entered an agreement to lease a building for five years. This lease was renewed on February 15, 2006 for an additional five years with annual rent payments of \$37,440. This lease has not been formally renewed; however, the District continues to lease the building on a month to month basis. Monthly rental payments are \$3,120.

**Note 9 - 28E Agreements:**

On July 20, 2005, the District entered into a 28E Agreement with the City of Farley, Iowa. The agreement is for the purpose of constructing a high school regulation softball field. Along with the 28E Agreement, the District has entered into a lease agreement with the City of Farley for the use of the softball field. The term of the lease is 40 years with annual rent of \$1.

On April 14, 2011, the District entered into a 28E Agreement with the City of Cascade, Iowa. The purpose of the agreement is to allow the City to use land owned by the District to develop and maintain a soccer field for community and District use.

On December 29, 2011, the District entered into a 28E Agreement with the City of Farley, Iowa and the Dubuque County Library Board. The purpose of the agreement is to allow the operation of a joint library facility.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 10 - Pension and Retirement Benefits:**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011, were \$1,635,819, \$1,432,770 and \$1,219,509, respectively, equal to the required contributions for each year.

**Note 11 - Other Postemployment Benefits (OPEB):**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 510 active and 60 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Medical Associates. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

The District also contributes to an employer-provided health reimbursement arrangement for contracted employees when they retire. To qualify, the retiring employee must be at least age 55 and have 15 or more years of service with the District. For contracted employees eligible for health insurance, the District will contribute an amount equal to its annual contribution to the cost of family medical insurance at the time of retirement for the employee's work classification for a period of five years. For employees not eligible for medical insurance, the District will contribute a one-time amount equal to 25% of the employee's regular wages earned during the last year of employment with the District.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. Retirees pay the full cost of premiums for the medical/prescription drug benefit. The District currently finances the retiree benefit plan on a pay-as-you-go basis.



**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 11 - Other Postemployment Benefits (OPEB): (Continued)**

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 1,308,000
Interest on net OPEB obligation	145,000
Adjustment to annual required contribution	(123,000)
	-----
Annual OPEB cost	\$ 1,330,000
Contributions made	(774,000)
	-----
Increase in net OPEB obligation	\$ 556,000
Net OPEB obligation beginning of year	3,218,000
	-----
Net OPEB obligation end of year	\$ 3,774,000
	=====

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$0 to the medical plan premiums and \$774,000 to the health reimbursement arrangement. Plan members eligible for benefits contributed \$456,373, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
-----	-----	-----	-----
2011	\$ 1,423,000	34.58%	\$ 2,290,000
2012	1,429,000	35.06%	3,218,000
2013	1,330,000	58.20%	3,774,000

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 11 - Other Postemployment Benefits (OPEB): (Continued)**

Funded Status and Funding Process - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2014, the actuarial accrued liability was \$11.114 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$11.114 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$19,055,000, and the ratio of the UAAL to covered payroll was 58.33%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 12 - Risk Management:**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 13 - Area Education Agency:**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,318,329 for the year ended June 30, 2013, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 14 - Construction in Progress:**

The District has entered into contracts totaling \$7,360,457 for improvements to Cascade High School and Western Dubuque High School. As of June 30, 2013, costs of \$1,068,958 had been incurred against the contracts. The remaining amount will be paid as work on the project progresses.

**Note 15 - Subsequent Events:**

The District entered into a line of credit with a financial institution in the amount of \$2,000,000 with a variable interest rate and a maturity date of May 15, 2014. The line of credit provides funds during periods of cash deficits related to the timing of property tax payments.

The District entered into commitments subsequent to June 30, 2013 for improvements at the Cascade High School and Western Dubuque High School totaling \$8,347,628.

Subsequent events have been evaluated by management through January 15, 2014, which is the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>Revenues</b>						
Local sources	\$ 21,403,858	\$ 1,137,745	\$ 22,541,603	\$ 21,608,902	\$ 21,608,902	\$ 932,701
Intermediate sources	3,228	---	3,228	3,000	3,000	228
State sources	16,015,644	14,898	16,030,542	16,215,880	16,215,880	(185,338)
Federal sources	1,118,573	727,027	1,845,600	1,640,875	1,640,875	204,725
Total Revenues	\$ 38,541,303	\$ 1,879,670	\$ 40,420,973	\$ 39,468,657	\$ 39,468,657	\$ 952,316
<b>Expenditures/Expenses</b>						
Instruction	\$ 22,628,522	\$ ---	\$ 22,628,522	\$ 21,544,789	\$ 23,006,776	\$ 378,254
Support services	10,074,920	---	10,074,920	10,152,626	10,414,643	339,723
Non-instructional programs	38,978	2,107,655	2,146,633	1,881,712	1,975,000	(171,633)
Other expenditures	4,682,145	---	4,682,145	3,866,142	5,440,092	757,947
Total Expenditures/Expenses	\$ 37,424,565	\$ 2,107,655	\$ 39,532,220	\$ 37,445,269	\$ 40,836,511	\$ 1,304,291
Excess (Deficiency) of Revenues Over (Under) Expenditures/Expenses	\$ 1,116,738	\$ (227,985)	\$ 888,753	\$ 2,023,388	\$ (1,367,854)	\$ 2,256,607
Other Financing Sources, Net	16,500,428	---	16,500,428	(157)	(157)	16,500,585
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	\$ 17,617,166	\$ (227,985)	\$ 17,389,181	\$ 2,023,231	\$ (1,368,011)	\$ 18,757,192
Balances Beginning of Year	10,657,037	404,697	11,061,734	8,950,163	8,950,163	2,111,571
Balances End of Year	\$ 28,274,203	\$ 176,712	\$ 28,450,915	\$ 10,973,394	\$ 7,582,152	\$ 20,868,763

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
- BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$3,391,242.

During the year ended June 30, 2013, expenditures in the non-instructional programs function exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
(IN THOUSANDS)**

**REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ ---	\$ 9,009	\$ 9,009	0.0%	\$ 17,047	52.90%
2011	July 1, 2010	---	12,552	12,552	0.0%	17,547	71.50%
2012	July 1, 2010	---	12,552	12,552	0.0%	17,884	70.20%
2013	July 1, 2012	---	11,114	11,114	0.0%	19,055	58.33%

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and net OPEB Obligation, funded status and funding progress.

## **SUPPLEMENTARY INFORMATION**



**WESTERN DUBUQUE COUNT COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
<b>Assets</b>				
Cash, cash equivalents, and pooled investments	\$1,056,680	\$ 734,569	\$ 124,841	\$ 1,916,090
Receivables:				
Property tax:				
Delinquent	7,891	---	5,734	13,625
Succeeding year	970,005	---	732,612	1,702,617
Accounts	---	137	---	137
Prepaid expenses	677,504	---	---	677,504
Restricted assets:				
Cash held in escrow	---	---	1,753,923	1,753,923
<b>Total Assets</b>	<b>\$2,712,080</b>	<b>\$ 734,706</b>	<b>\$2,617,110</b>	<b>\$ 6,063,896</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ ---	\$ 30,502	\$ ---	\$ 30,502
Due to other funds	---	1,669	---	1,669
Deferred revenue:				
Succeeding year property tax	970,005	---	732,612	1,702,617
<b>Total Liabilities</b>	<b>\$ 970,005</b>	<b>\$ 32,171</b>	<b>\$ 732,612</b>	<b>\$ 1,734,788</b>
Fund Balances:				
Nonspendable:				
Prepaid expenditures	\$ 677,504	\$ ---	\$ ---	\$ 677,504
Restricted for:				
Debt service	---	---	1,884,498	1,884,498
Management levy purposes	1,064,571	---	---	1,064,571
Student activities	---	702,535	---	702,535
<b>Total Fund Balances</b>	<b>\$1,742,075</b>	<b>\$ 702,535</b>	<b>\$1,884,498</b>	<b>\$ 4,329,108</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$2,712,080</b>	<b>\$ 734,706</b>	<b>\$2,617,110</b>	<b>\$ 6,063,896</b>

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013**

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
<b>Revenues</b>				
Local Sources:				
Local tax	\$ 969,919	\$ ---	\$ 506,681	\$ 1,476,600
Other	16,630	1,172,700	27,415	1,216,745
State sources	469	---	228	697
	-----	-----	-----	-----
Total Revenues	\$ 987,018	\$ 1,172,700	\$ 534,324	\$ 2,694,042
	-----	-----	-----	-----
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	\$ 393,181	\$ ---	\$ ---	\$ 393,181
Special	102,278	---	---	102,278
Other	60,318	1,106,697	---	1,167,015
	-----	-----	-----	-----
Total Instruction	\$ 555,777	\$ 1,106,697	\$ ---	\$ 1,662,474
	-----	-----	-----	-----
Support Services:				
Student	\$ 3,955	\$ ---	\$ ---	\$ 3,955
Instructional staff	1,499	---	---	1,499
Administration	43,950	470	---	44,420
Operation and maintenance of plant	216,350	5,938	---	222,288
Transportation	125,772	42,663	---	168,435
	-----	-----	-----	-----
Total Support Services	\$ 391,526	\$ 49,071	\$ ---	\$ 440,597
	-----	-----	-----	-----
Non-instructional Programs	\$ 38,978	\$ ---	\$ ---	\$ 38,978
	-----	-----	-----	-----

See accompanying independent auditor's report.

**SCHEDULE "2" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013**

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
<b>Expenditures (Continued)</b>				
Other Expenditures:				
Long-term debt:				
Principal	\$ ---	\$ ---	\$ 1,405,000	\$ 1,405,000
Interest and fiscal charges	---	---	431,482	431,482
	-----	-----	-----	-----
Total Other Expenditures	\$ ---	\$ ---	\$ 1,836,482	\$ 1,836,482
	-----	-----	-----	-----
Total Expenditures	\$ 986,281	\$ 1,155,768	\$ 1,836,482	\$ 3,978,531
	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 737	\$ 16,932	\$ (1,302,158)	\$ (1,284,489)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	---	---	1,735,997	1,735,997
	-----	-----	-----	-----
Net Change in Fund Balances	\$ 737	\$ 16,932	\$ 433,839	\$ 451,508
	-----	-----	-----	-----
Fund Balances Beginning of Year	1,741,338	685,603	1,450,659	3,877,600
	-----	-----	-----	-----
Fund Balances End of Year	\$ 1,742,075	\$ 702,535	\$ 1,884,498	\$ 4,329,108
	=====	=====	=====	=====

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**COMBINING BALANCE SHEET  
CAPITAL PROJECT ACCOUNTS  
JUNE 30, 2013**

	Statewide Sales, Services and Use Tax	Construction	Physical Plant and Equipment Levy	Total
	-----	-----	-----	-----
<b>Assets</b>				
Cash, cash equivalents, and pooled investments	\$ 3,544,329	\$ 15,620,344	\$ 1,037,288	\$ 20,201,961
Receivables:				
Property tax:				
Delinquent	---	---	12,928	12,928
Succeeding year	---	---	1,192,752	1,192,752
Due from other governments	529,989	---	230	530,219
	-----	-----	-----	-----
Total Assets	\$ 4,074,318	\$ 15,620,344	\$ 2,243,198	\$ 21,937,860
	=====	=====	=====	=====
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 1,194	\$ 335,866	\$ 41,695	\$ 378,755
Due to other funds	---	---	3,300	3,300
Deferred revenue:				
Succeeding year property tax	---	---	1,192,752	1,192,752
	-----	-----	-----	-----
Total Liabilities	\$ 1,194	\$ 335,866	\$ 1,237,747	\$ 1,574,807
	=====	=====	=====	=====
Fund Balances:				
Restricted for:				
School infrastructure	\$ 4,073,124	\$ 15,284,478	\$ ---	\$ 19,357,602
Physical plant and equipment	---	---	1,005,451	1,005,451
	-----	-----	-----	-----
Total Fund Balances	\$ 4,073,124	\$ 15,284,478	\$ 1,005,451	\$ 20,363,053
	-----	-----	-----	-----
Total Liabilities and Fund Balances	\$ 4,074,318	\$ 15,620,344	\$ 2,243,198	\$ 21,937,860
	=====	=====	=====	=====

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECT ACCOUNTS  
YEAR ENDED JUNE 30, 2013**

	Statewide Sales, Services and Use Tax	Construction	Physical Plant and Equipment Levy	Total
<b>Revenues</b>				
Local Sources:				
Local tax	\$ 3,333,739	\$ ---	\$ 1,142,304	\$ 4,476,043
Other	7,008	26,759	2,630	36,397
State sources	2,047	---	744	2,791
Federal sources	23,848	---	38,230	62,078
Total Revenues	\$ 3,366,642	\$ 26,759	\$ 1,183,908	\$ 4,577,309
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	\$ ---	\$ ---	\$ 4,729	\$ 4,729
Support Services:				
Administration	\$ ---	\$ ---	\$ 23,449	\$ 23,449
Operation and maintenance of plant	---	---	62,000	62,000
Transportation	---	---	487,883	487,883
Total Support Services	\$ ---	\$ ---	\$ 573,332	\$ 573,332
Other Expenditures:				
Facilities acquisition	\$ 130,300	\$ 1,097,222	\$ 154,753	\$ 1,382,275
Long-term debt:				
Interest and fiscal charges	---	145,059	---	145,059
Total Other Expenditures	\$ 130,300	\$ 1,242,281	\$ 154,753	\$ 1,527,334
Total Expenditures	\$ 130,300	\$ 1,242,281	\$ 732,814	\$ 2,105,395
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 3,236,342	\$ (1,215,522)	\$ 451,094	\$ 2,471,914
<b>Other Financing Sources (Uses)</b>				
General obligation bonds issued	\$ ---	\$ 16,500,000	\$ ---	\$16,500,000
Operating transfers out	(1,735,997)	---	---	(1,735,997)
Total Other Financing Sources (Uses)	\$(1,735,997)	\$ 16,500,000	\$ ---	\$14,764,003
Net Change in Fund Balances	\$ 1,500,345	\$ 15,284,478	\$ 451,094	\$17,235,917
Fund Balances Beginning of Year	2,572,779	---	554,357	3,127,136
Fund Balances End of Year	\$ 4,073,124	\$ 15,284,478	\$ 1,005,451	\$20,363,053

See accompanying independent auditor's report.

**SCHEDULE "5"**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2013**

	Balance Beginning Of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
District Wide Accounts					
Employee Awards	\$ 154	\$ ---	\$ ---	\$ ---	\$ 154
Western Trip	8,715	---	---	---	8,715
District Wide Interest	94,182	683	---	---	94,865
Total District Wide	\$ 103,051	\$ 683	\$ ---	\$ ---	\$ 103,734
Epworth High School:					
Computer Technology	\$ 135	\$ ---	\$ ---	\$ ---	\$ 135
Dramatics Fund	6,255	4,368	4,417	388	6,594
Speech Club	845	269	568	---	546
Vocal Music	12,156	11,160	10,044	(2,609)	10,663
Instrumental Music	3,293	9,517	9,158	50	3,702
Show Choir	2,268	82,043	85,150	4,000	3,161
Model U.N.	37	840	422	---	455
Student Council	23,073	13,637	13,053	10,765	34,422
Future Farmers	9,778	56,962	59,181	3,856	11,415
Yearbook	11,715	26,225	23,434	---	14,506
Library Club	1,627	359	378	---	1,608
Close Up	94	---	---	---	94
Post Prom	4,299	2,482	3,515	---	3,266
National Honor Society	996	3,875	3,895	(539)	437
Class of 2016	---	3,889	2,276	---	1,613
Class of 2015	2,219	152	101	(1,844)	426
Class of 2014	1,324	5,569	2,587	(994)	3,312
Class of 2013	3,324	77	247	(3,154)	---
Class of 2012	3,092	---	---	(3,092)	---
Class of 2011	3,127	---	---	(3,127)	---
Class of 2010	30	---	---	(30)	---
Future Business Leaders	8,817	5,698	7,862	---	6,653
Athletic Fund	146,632	411,759	402,656	(8,804)	146,931
Pop and Uniforms	5,235	2,431	2,039	---	5,627
Fundraiser	6,842	3,765	1,667	---	8,940
Band	9,512	16	4,233	5,170	10,465
Miscellaneous	9,658	21,814	7,510	439	24,401
Total Epworth High School	\$ 276,383	\$ 666,907	\$ 644,393	\$ 475	\$ 299,372

See accompanying independent auditor's report.

**SCHEDULE "5" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2013**

	Balance Beginning Of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
	-----	-----	-----	-----	-----
Cascade High School:					
Poms	\$ 10	\$ 2,170	\$ 2,141	\$ ---	\$ 39
Dramatics/Speech	7,624	16,713	17,163	(1,628)	5,546
Vocal Music	5,190	5,394	5,744	(2,680)	2,160
Instrumental Music	---	9,643	5,546	(4,097)	---
Band	---	---	4,195	4,195	---
Student Council	2,821	3,773	3,534	(755)	2,305
Future Farmers	98,249	69,315	74,663	(5,349)	87,552
Cheerleaders	44	1,816	1,610	---	250
National Honor Society	276	725	1,138	300	163
Junior High	1,844	4,200	5,287	---	757
Class of 2014	---	3,732	2,574	---	1,158
Class of 2013	737	1,423	1,431	(729)	---
Class of 2012	1,433	106	111	(1,428)	---
Class of 2011	146	---	24	(122)	---
Athletic Fund	26,278	148,137	151,309	8,972	32,078
Future Business Leaders	836	9,659	12,021	2,500	974
Pop and Uniforms	2,404	3,918	3,356	(1,651)	1,315
Yearbook	7,864	7,415	8,052	(51)	7,176
Miscellaneous	485	13,743	14,633	2,047	1,642
	-----	-----	-----	-----	-----
Total Cascade High School	\$ 156,241	\$ 301,882	\$ 314,532	\$ (476)	\$ 143,115
	-----	-----	-----	-----	-----
Bernard Elementary:					
Student Expenses	\$ 5,081	\$ 5,752	\$ 5,584	\$ ---	\$ 5,249
	-----	-----	-----	-----	-----
Cascade Elementary:					
Student Expenses	\$ 20,384	\$ 16,444	\$ 19,483	\$ 1,026	\$ 18,371
School Photos	1,361	1,160	---	---	2,521
Student Council	1,026	---	---	(1,026)	---
	-----	-----	-----	-----	-----
Total Cascade Elementary	\$ 22,771	\$ 17,604	\$ 19,483	\$ ---	\$ 20,892
	-----	-----	-----	-----	-----
Dyersville Elementary:					
Student Expenses	\$ 3,666	\$ 11,108	\$ 7,660	\$ (2,264)	\$ 4,850
Book Fair	---	2,193	4,121	1,928	---
School Photos	1,393	1,482	450	---	2,425
	-----	-----	-----	-----	-----
Total Dyersville Elementary	\$ 5,059	\$ 14,783	\$ 12,231	\$ (336)	\$ 7,275
	-----	-----	-----	-----	-----

See accompanying independent auditor's report.

**SCHEDULE "5" (Continued)**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2013**

	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
	-----	-----	-----	-----	-----
Farley:					
Spring Fundraiser	\$ 31,830	\$ ---	\$ 16,619	\$ ---	\$ 15,211
Student Council	1,535	10	379	(862)	304
Yearbook	3,818	7,425	7,032	---	4,211
Vocal Music	151	19,765	20,911	2,753	1,758
Athletic Fund	6,087	13,603	20,435	4,632	3,887
Booster Club/PTO	377	---	---	---	377
Outdoor Education	5,988	19,212	13,238	---	11,962
Pop and Uniforms	3,350	1,618	1,189	(25)	3,754
Fitness Program	2,454	4,048	3,795	---	2,707
Book Fair	673	9,374	6,835	(361)	2,851
School Photos	20,215	4,411	---	---	24,626
Magazine/Newspaper Fundraiser	381	2,795	---	(1,342)	1,834
Grade 8 Class Trip	1,591	14,604	15,359	---	836
Various Groups	28,106	43,428	35,887	(4,626)	31,021
	-----	-----	-----	-----	-----
Total Farley	\$ 106,556	\$ 140,293	\$ 141,679	\$ 169	\$ 105,339
	-----	-----	-----	-----	-----
Epworth Elementary:					
Student Expenses	\$ 7,399	\$ 14,562	\$ 12,400	\$ 168	\$ 9,729
	-----	-----	-----	-----	-----
Peosta Elementary:					
Yearbook	\$ 1,522	\$ 1,837	\$ 1,629	\$ ---	\$ 1,730
Booster Club	553	---	343	---	210
Miscellaneous	987	8,397	3,494	---	5,890
	-----	-----	-----	-----	-----
Total Peosta Elementary	\$ 3,062	\$ 10,234	\$ 5,466	\$ ---	\$ 7,830
	-----	-----	-----	-----	-----
Total	\$ 685,603	\$1,172,700	\$1,155,768	\$ ---	\$ 702,535
	=====	=====	=====	=====	=====

See accompanying independent auditor's report.



**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS**

	Modified Accrual Basis				
	2013	2012	2011	2010	2009
<b>Revenues</b>					
Local Sources:					
Local tax	\$ 18,329,503	\$ 17,420,490	\$ 16,500,013	\$ 15,686,866	\$ 15,038,895
Tuition	1,217,123	1,288,794	952,017	850,519	804,929
Other	1,857,232	2,297,134	2,059,165	1,604,956	1,790,591
Intermediate Sources	3,228	650	1,817	7,872	9,988
State Sources	16,015,644	15,449,656	14,456,510	12,369,676	13,409,951
Federal Sources	1,118,573	1,873,725	2,252,535	2,619,203	1,176,914
Total	<u>\$ 38,541,303</u>	<u>\$ 38,330,449</u>	<u>\$ 36,222,057</u>	<u>\$ 33,139,092</u>	<u>\$ 32,231,268</u>
<b>Expenditures</b>					
Instruction:					
Regular	\$ 12,529,543	\$ 12,023,320	\$ 11,122,744	\$ 11,249,602	\$ 10,570,155
Special	4,497,179	4,036,455	3,705,460	3,770,825	3,686,818
Other	5,601,800	5,182,942	5,521,268	4,997,044	3,793,523
Support Services:					
Student	785,174	1,060,337	1,024,825	989,832	979,946
Instructional staff	1,041,590	978,196	842,202	307,997	362,822
Administration	3,372,170	3,182,006	2,879,063	2,938,145	2,768,180
Operation and maintenance of plant	2,337,729	2,114,049	1,978,215	1,732,424	1,842,198
Transportation	2,538,257	2,428,324	2,567,962	2,313,033	2,204,821
Central support	---	---	---	---	---
Non-instructional programs	38,978	39,644	38,909	36,634	44,677
Other Expenditures:					
Facilities acquisition	1,382,275	2,354,477	13,725,635	8,185,273	629,749
Long-term debt:					
Principal	1,405,000	1,380,000	1,280,000	2,210,000	1,390,000
Interest and other charges	576,541	147,400	200,414	718,875	454,809
AEA flowthrough	1,318,329	1,265,458	1,342,368	1,296,569	1,168,250
Total	<u>\$ 37,424,565</u>	<u>\$ 36,192,608</u>	<u>\$ 46,229,065</u>	<u>\$ 40,746,253</u>	<u>\$ 29,895,948</u>

See accompanying independent auditor's report.

# SCHEDULE "6"

## Modified Accrual Basis

2008	2007	2006	2005	2004
\$ 14,137,465	\$ 13,880,533	\$ 13,144,109	\$ 12,445,327	\$ 11,259,357
825,845	830,306	717,011	651,757	631,073
1,928,215	1,911,309	1,592,219	1,349,802	1,279,922
12,488	1,306	6,459	---	4,108
12,893,404	11,984,915	11,440,396	10,326,712	9,278,073
801,897	850,311	1,416,939	1,464,404	950,399
<u>\$ 30,599,314</u>	<u>\$ 29,458,680</u>	<u>\$ 28,317,133</u>	<u>\$ 26,238,002</u>	<u>\$ 23,402,932</u>
\$ 10,197,183	\$ 10,311,911	\$ 9,154,370	\$ 8,469,963	\$ 8,377,622
3,403,315	2,782,573	3,289,290	3,099,950	3,605,876
3,400,738	3,020,372	2,105,981	2,667,318	2,129,419
904,763	841,912	819,965	692,460	666,742
372,002	393,706	866,136	553,355	534,905
2,768,828	2,590,845	2,528,027	2,138,672	1,627,196
1,779,698	1,707,388	1,568,012	1,471,773	1,299,654
2,476,922	2,227,582	2,121,983	2,002,883	1,708,369
---	---	---	---	1,244
39,453	37,462	19,643	26,152	18,420
719,111	965,701	649,303	6,953,304	5,427,398
1,900,000	1,840,000	1,760,000	1,705,000	1,670,000
527,844	593,974	650,629	704,141	753,765
1,096,770	1,042,947	974,359	903,083	872,561
<u>\$ 29,586,627</u>	<u>\$ 28,356,373</u>	<u>\$ 26,507,698</u>	<u>\$ 31,388,054</u>	<u>\$ 28,693,171</u>

**SCHEDULE "7"**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013**

Grantor/Program -----	CFDA Number -----	Grant Number -----	Expenditures -----
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY13	\$ 98,489
National School Lunch Program	10.555	FY13	498,797
National School Lunch Program - USDA Commodities (noncash)	10.555	FY13	129,740
			----- \$ 727,026 -----
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY13	\$ 395,634
Career and Technical Education - Basic Grants to States	84.048	FY13	31,715
Improving Teacher Quality State Grants	84.367	FY13	141,294
State Assessment	84.369	FY13	19,461
Special Education – Grants to States	84.027	FY13	18,140*
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY13	209,102*
			----- \$ 815,346 -----
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778	FY13	\$ 241,148
			-----
Federal Emergency Management Agency:			
Iowa Department of Homeland Security and Emergency Management:			
Hazard Mitigation Grant	97.039	FY13	\$ 53,589
			-----
Total			----- \$ 1,837,109 -----

\*Total for Special Education cluster is \$227,242.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Western Dubuque County Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

# **O'CONNOR, BROOKS & CO., P.C.**

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
Western Dubuque County Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Western Dubuque County Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2014. In addition, we have disclaimed an opinion on the required supplementary information.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Dubuque County Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Western Dubuque County Community School District's Responses to Findings

Western Dubuque County Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Western Dubuque County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.  
Dubuque, Iowa  
January 15, 2014

# **O'CONNOR, BROOKS & CO., P.C.**

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education of the  
Western Dubuque County Community School District

### Report on Compliance for Each Major Federal Program

We have audited Western Dubuque County Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Western Dubuque County Community School District's major federal programs for the year ended June 30, 2013. Western Dubuque County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Western Dubuque County Community School District's compliance.

#### Opinion on Each Major Federal Program

In our opinion, Western Dubuque County Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

#### Report on Internal Control Over Compliance

The management of Western Dubuque County Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Western Dubuque County Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have auditing the financial statements of Western Dubuque County Community School District as of and for the year ended June 30, 2013, and have issued our report dated January 15, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

O'CONNOR, BROOKS & CO., P.C.

*O'Connor, Brooks & Co., P.C.*

Dubuque, Iowa

January 15, 2014



**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**Part I: Summary of Independent Auditor's Results**

- a) Unmodified opinions were issued on the financial statements.
- b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No material weaknesses in internal control over the major programs were noted.
- e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:
  - CFDA Number 84.010 – Title I Grants to Local Education Agencies
  - Child Nutrition Cluster:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Western Dubuque County Community School District did not qualify as a low-risk auditee.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**Part II: Findings Related to the Financial Statements:**

**Instances of Noncompliance:**

No matters were noted.

**Material Weakness:**

II-A-13 Adjusting Journal Entries – During the audit, we identified payables related to construction contracts not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements. Misstatements in the financial statements could impair management and the School Board's ability to make informed decisions.

Recommendation – The District should implement procedures to ensure that all payables are identified and included in the District's financial statements.

Response – The District will make every effort to ensure all future payables are identified and included in the District's financial statements.

Conclusion – Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

**Instances of Noncompliance:**

No matters were noted.

**Material Weakness:**

No matters were noted.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, exceeded the amended certified budget amount in the non-instructional programs functional area.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure that the certified budget is not exceeded.

Conclusion – Response accepted.

IV-B-13 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-13 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-13 Supplementary Weighting – The Department of Education notified the District of potential weighting amount adjustments. No additional variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**Part IV: Other Findings Related to Required Statutory Reporting: (Continued)**

- IV-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-13 Certified Annual Report – The Certified Annual Report was certified timely to Iowa Department of Education.
- IV-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-13 Statewide Sales, Services and Use Tax – No instances of non-compliance with allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance			\$ 2,572,779
Revenues:			
Sales tax revenues	\$ 3,333,739		
Other local revenues	7,008		
State revenues	2,047		
Federal revenues	23,848	3,366,642	
	-----	-----	
			\$ 5,939,421
Expenditures/transfers out:			
School infrastructure construction	\$ 107,494		
Equipment	22,806		
Transfers to debt service fund	1,735,997	1,866,297	
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Ending balance			\$ 4,073,124
			=====

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT  
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**Part IV: Other Findings Related to Required Statutory Reporting: (Continued)**

IV-M-13 Notice of Public Hearing for Public Improvements – Chapter 362.3 of the Code of Iowa requires a notice of public hearing to be published not less than four and not more than twenty days prior to the date of the public hearing. The notice of public hearing for the Cascade Junior-Senior High School Addition and Remodel project was published twenty-eight days prior to the public hearing.

Recommendation – Before entering into a contract for a public improvement with an estimated total cost in excess of \$130,000, the District should hold a public hearing and give notice at least four but not more than twenty days prior to the hearing.

Response – We will **publish** the notice in accordance with Chapter 362.3 of the Code of Iowa in the future as required. The District, however, did provide notice of the public hearing via a **fax** to the press and local news media seven days prior to the meeting.

Conclusion – Response accepted.